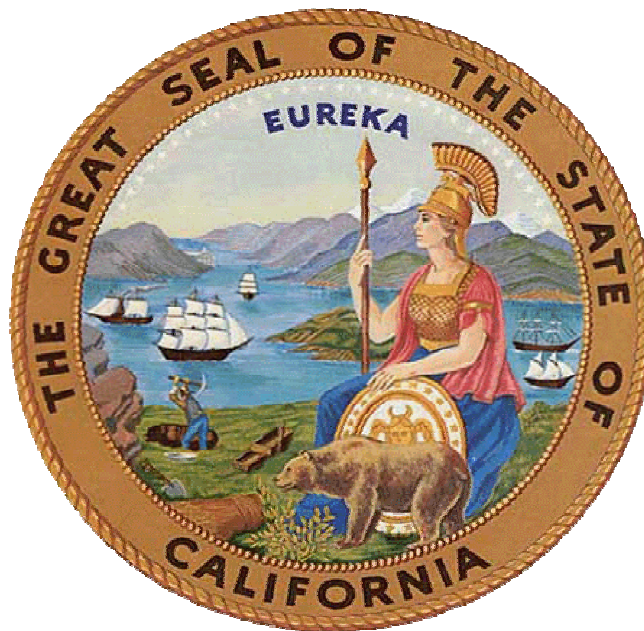


# ***DEPARTMENT OF REAL ESTATE***

## ***STRATEGIC PLAN***

***2006/2007***



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## EXECUTIVE SUMMARY

This Strategic Plan has been prepared to help guide the Executive Management of the Department of Real Estate (Department) as they set the course for the future of the Department. In developing the Plan, Executive Staff integrated the needs of consumers and the real estate industry and incorporated the core elements of the Business, Transportation and Housing Agency Performance Improvement Initiative process.

The Plan contains four major goals upon which the Department will focus its efforts. To achieve these goals, specific objectives have been identified. Incorporated into each objective is an action plan and a plan for monitoring performance, which will be used to gauge success and accountability. In achieving these goals, the Department will continue to reduce processing timeframes, extend transparency of government, and ensure succession planning and skill replacement. The Plan is primarily a one-year plan, with certain longer-term objectives identified for the following two years.

Challenges to accomplishing the Strategic Plan objectives include the continuing need to address an increasing workload resulting from a historically high number of real estate licensees, evolving industry trends and demands, and legislative mandates. To help mitigate these challenges, key concepts such as streamlining procedures and processing, identifying and implementing improved efficiencies, and expanding technology have been interwoven throughout the objectives set forth in the Plan.

In summary, the Plan provides a blueprint for accomplishing objectives primarily during the 2006/07 fiscal year that are aimed at improving operational efficiency, increasing service levels to the real estate industry, and enhancing consumer protection for the growing and diverse population of California.

## ***DEPARTMENT DESCRIPTION***

The core functions of the Department of Real Estate are to administer license examinations, issue real estate licenses, regulate real estate licensees, and qualify subdivision offerings.

The Department is a special fund agency that derives virtually all its revenues from examination, license and subdivision fees. It has limited authority to fine and, as a result, regulatory related fines compose less than one percent of its budget. Fines collected by the Department are paid into the Recovery Account to help compensate victims of real estate fraud.

The Department of Real Estate maintains five offices: Sacramento, Oakland, Fresno, Los Angeles, and San Diego, and, as of June 30, 2006, has 303 authorized positions. Currently, there are approximately 504,000 real estate licensees in California, compared with a previous high of 375,000 licensees in 1992 and a low of 298,000 in 1998.

The Real Estate Commissioner is the chief executive officer of the Department of Real Estate. It is the Commissioner's responsibility to determine administrative policy and enforce the provisions of the Real Estate Law for the protection of the public. The Commissioner is appointed by the Governor and reports directly to the Secretary of the Business, Transportation and Housing Agency.

The Department of Real Estate is divided into various divisions that are managed by program chiefs (Assistant Commissioners), who report directly to the Commissioner and the Chief Deputy Commissioner. These divisions are as follows: Licensing, Enforcement, Legal, Audits, Subdivisions, Legislation and Public Information, and Administrative Services, which consists of Information Systems, Fiscal and Human Resources.

## ***DIVISION DESCRIPTIONS***

### ***LICENSING:***

If a person wishes to engage in the real estate business and act in the capacity of, advertise as, or assume to act as a real estate broker or salesperson within California, a real estate license must first be obtained from the Department of Real Estate.

Before a real estate salesperson applicant may obtain a license, he or she must apply for and pass a real estate examination and fulfill certain educational requirements. A broker applicant, in addition to the required education, must have two years of licensed salesperson experience (or the equivalent) before applying for the exam. Broker and salesperson licenses are issued for a four-year period. In general, both types of licenses may be renewed by submitting the appropriate application and fee, along with evidence of completion of 45 hours of Department-approved continuing education courses (including required courses in Ethics, Agency Relationships, Trust Fund Handling and Fair Housing). As of July 1, 2007, as part of the 45 hours, a course in Risk Management also will be required.

## *ENFORCEMENT:*

The Enforcement Section is the investigative division of the Department. The Real Estate Law provides that, either upon receipt of a verified written complaint, or on his/her own motion, the Commissioner may investigate, within the jurisdiction of the Department, the actions of any person acting in the capacity of a real estate licensee within California.

To investigate these complaints, the Department maintains five Enforcement offices: Oakland, Sacramento, Fresno, Los Angeles, and San Diego. Enforcement staff administers the law through the investigation of consumer complaints against licensees, the investigation of alleged subdivision violations, and the qualification of applicants for real estate licensure. Staff also conducts investigations of unlicensed persons who may be performing activities for which a real estate license is required.

The primary purpose of an investigation is to determine whether or not a violation of the Real Estate Law has occurred. If the evidence gathered by the assigned investigator indicates that a violation has occurred, a staff attorney will review the file for legal sufficiency in anticipation of filing an Accusation against the licensee. An Accusation is a formal accusatory pleading informing the licensee of the alleged violations and the intention of the Department to either suspend or revoke his or her license if the violations are proven at an administrative hearing.

### Mortgage Loan Activities:

The Mortgage Loan Section monitors mortgage loan activity through required business and trust account reports submitted by real estate brokers who meet certain threshold criteria. Mortgage loan advertising is reviewed on a statewide basis in all media, and educational materials are prepared and made available by this unit to both brokers and consumers. Also, consumers are assisted with problems incurred with lenders and brokers in mortgage loan transactions and if violations are discovered, they are referred to the Enforcement Section for investigation.

The Mortgage Loan Section is the primary liaison with mortgage trade organizations and other state and federal agencies enforcing laws relative to mortgage loan activity.

## *AUDITS:*

The mission of the Audit Program is to protect the consumer through financial compliance audits of real estate licensees and subdivision developments. The primary focus of an audit is the handling of trust funds by licensees and subdividers. Through the Audit Program, Department Auditors determine if the operations of real estate brokers or subdividers, as reflected in their business records, comply with the requirements of the Real Estate Law and the Subdivided Lands Law. In addition, the Audit Program reviews threshold mortgage loan broker annual and quarterly reports for possible trust fund handling violations, and is responsible for the internal audit function of the Department. It also acts as the Audit Resolution Liaison for all external

audits of the Department by its control agencies; e.g., Department of Finance, State Controller's Office, Bureau of State Audits.

The Department has field auditors assigned to the Sacramento, Oakland, Fresno, Los Angeles, and San Diego offices. Audits performed are either investigative or routine. Investigative audits are initiated based on a complaint from the public or information received indicating probable violations by a licensee. Routine audits are performed, when resources allow, on randomly selected licensees engaged in real estate activities, primarily where the risk of financial loss to the public is high; e.g., mortgage loan brokers, property managers and broker escrows.

As to cost recovery, the Department may charge for those audits that relate to substantiating trust fund mishandling by a real estate broker provided the violation is subsequently proven and results in some form of disciplinary action. The Department may also bill the licensee for follow-up compliance audits.

### ***SUBDIVISIONS:***

The principal State law regulating most sales (or leases) of subdivided land in California is the Subdivided Lands Law (Business and Professions Code Sections 11000 – 11200). The Vacation and Time-share Ownership Act of 2004 (Business and Professions Code Sections 11210-11288) regulates the sale of timeshares. These laws protect the public against fraud and misrepresentation in the sale or lease of subdivided land through the issuance of public reports, which are disclosure documents provided to prospective purchasers of subdivision interests. In this regard, the Real Estate Commissioner is charged with the responsibility for adopting regulations to oversee the creation and marketing of subdivision interests. These regulations are found at Title 10 California Code of Regulations Sections 2790 – 2817.

#### Technical Unit

The Technical Unit (located at the Sacramento Principal Office) processes complex subdivision filings, including timeshares and undivided interest subdivisions.

#### Budget Review Unit

Department staff review and analyze proposed homeowner association budgets pertaining to maintenance and operational costs relative to common areas and facilities of common interest subdivisions and timeshares.

### ***LEGAL:***

The primary duties of the Legal Section are to administratively prosecute violations of the Real Estate Law and the Subdivided Lands Law, file disciplinary actions, issue Desist and Refrain Orders, represent the Department in Administrative Procedure Act hearings, prepare and process regulations, and provide legal guidance and advice to Department staff regarding legal instruments and the law, including the Regulations of the Real Estate Commissioner and the provisions of the Real Estate and Subdivided Lands Laws.

Disciplinary actions are instituted by filing either a Statement of Issues to challenge an applicant's qualifications for licensure or an Accusation to seek the suspension or revocation of an existing license. These pleadings are then brought to trial in a formal adversary evidentiary hearing before an Administrative Law Judge. The hearings are conducted in accordance with the provisions of the Administrative Procedure Act. A Desist and Refrain Order is an administrative injunction issued to stop violations of either the Real Estate Law or the Subdivided Lands Law. Desist and Refrain Orders may be issued to either licensees or members of the public.

#### Recovery Unit

The Legal Section also administers the Real Estate Recovery Account. Currently, 12 percent of all license fees are paid into the recovery account. This money is then used to reimburse "aggrieved" members of the public who have obtained a civil judgment, arbitration award or criminal restitution order, based on intentional fraud, deceit, misrepresentation or conversion of trust funds in connection with a transaction in which the licensee (judgment debtor or criminal defendant) was performing acts for which a real estate license was required, and have been unable to fully collect on their judgment or order. To be eligible for payment, applicants must be able to prove that they have satisfied the requirements set forth in the Business and Professions Code. Applications for payment from the Real Estate Recovery Account are filed with the Recovery Unit.

Successful applicants are able to recover up to \$20,000 per transaction of their actual and direct (out-of-pocket) losses in the transaction. The maximum liability of the Recovery Account is \$100,000 per licensee.

#### *LEGISLATION AND PUBLIC INFORMATION UNIT:*

The Assistant Commissioner for Legislation and Public Information acts as principal legislative advocate for the Department of Real Estate, and organizes and directs the legislative activities for the Department. He serves as the Department media contact and is responsible for the public information program. He directs staff involved in the preparation and dissemination of the quarterly "Real Estate Bulletin" and other departmental publications, and in updating the Department of Real Estate website policies and content.

#### Education and Research

Under the direction of the Assistant Commissioner for Legislation and Public Information, the Education and Research Section reviews continuing education courses and approves examination qualification courses offered by private schools. In addition, this Section administers a research program authorized under Section 10451.5 of the Business and Professions Code, which makes funds available to be used by the Real Estate Commissioner for the advancement of education and research in the field of real estate.

This section also provides administrative support to the Executive Office and Program Managers by pursuing special projects, as assigned.

## *ADMINISTRATIVE SERVICES:*

Administrative Services consists of the Fiscal (Accounting, Budget, Business Services) Section, Information Systems Section, and Human Resources. These units provide support services to each line program of the Department.

### Human Resources

Human Resources provides administrative support to the line programs through support services such as recruitment and hiring, position classification, civil service examinations, employee discipline, labor relations, personnel transactions, employee benefits, training, employee counseling, equal employment, and records and forms management.

The Human Resources Section is located in the Sacramento Principal Office.

### Information Systems Section

The Information Systems Section (ISS) has as its primary mission the identification and conduct of activities related to aligning the business direction of the Department with emerging and proven technology solutions.

ISS is a multi-functional entity that provides for the development, maintenance, operation, and administration of information technology solutions for the Department. This includes support of all information processing, telecommunication, and office automation system efforts.

ISS staff is located in the Sacramento Principal office.

### Fiscal Section

Management oversight of Department budget resources is facilitated by a centralized procurement methodology. With this methodology in place, management ensures that all acquisitions are appropriately approved and justified, procurement rules are observed, purchases are directly tied to approved strategic objectives, and financial limits are adhered to.

All fiscal operations as described below are located in the Sacramento Principal Office.

- Budgets

The Department of Real Estate is administered in accordance with an authorized budget approved by the Administration and the Legislature. The Budget Section maintains on individual Department programs financial data that includes an itemized summary of expenditures and income for each fiscal year (July 1 – June 30). Based on this information, and with the input from the Managers of the major operating units within the Department, fiscal projections and proposed budgets are developed.

- Accounting



The Accounting Section utilizes the CALSTARS Accounting System (State computerized accounting network) in managing the bookkeeping involved with Department business transactions. This Section is responsible for the preparation of financial statements concerning Department assets and liabilities. In addition, the Accounting Section is responsible for cashiering all money receipts, dishonored checks and publication sales and for making travel arrangements for Department staff.

- Business Services

The Business Services Section manages the statewide business operations of the Department including: 1) purchase-related programs, 2) assets of the Department, 3) communications with control agencies, 4) mail and shipping operations, 5) facilities, fleet and telecommunications, and 6) periodic or special financial and procedure reporting.

- Contracts

The primary responsibilities for Contracts include ensuring contract procurement compliance and contract execution.

- Information Security Officer (ISO)

The ISO is a member of the Department of Real Estate Security Assessment Team and is responsible for:

- 1) Overseeing compliance with State-mandated security requirements.
- 2) Filing an Information Security Incident Report with the appropriate authorities after discovery of an incident.
- 3) Ensuring ongoing compliance with user security updates.
- 4) Performing oversight of security log archiving.
- 5) Reviewing security logs for possible intrusions, breaches, or suspect access.
- 6) Providing assistance or guidance with training programs to teach users how to avoid security incidents.
- 7) Creating and managing required reports, including the Operations Recovery Plan and Risk Management Report.

## ***STRATEGIC PLANNING CONCEPTUAL FRAMEWORK***

Strategic planning is a long-term, iterative, and future-oriented process of assessment, goal setting, and decision-making that maps an explicit path between the present and the vision of the future. It includes a multi-year view of objectives and strategies for the accomplishment of Department goals as well as its Performance Improvement efforts, as determined through an interactive process with the Business, Transportation and Housing Agency.

Clearly defined action plans and plans for monitoring performance are important considerations in planning, resource allocation, and operating decisions. The strategic planning process incorporates and sets direction for all departmental operations.

## ***METHODOLOGY STATEMENT***

Department of Real Estate Executive Staff meets annually to develop the Strategic Plan over a period of three or four months. Open discussions of the existing environment, technology issues, current assumptions, projected challenges and desired outcomes lead to the final plan. Prior to the initiation of this process, each Program Manager polls his or her staff to ascertain internal assessments and direction for the future. Input is also sought from various industry trade associations with whom the Department interacts.

The Department of Real Estate includes the following considerations when assessing strategic and operational performance measures:

- Implementing updated, enhanced, and cost effective technology capabilities.
- Maximizing results through internal efficiencies and operational reforms.
- Redirecting workforce and workload to stabilize and improve processing timeframes.
- Maintaining a prudent fee structure and reserve fund balance.
- Striking a proper balance between consumer protection and regulation of business.
- Promoting effective communication and education.
- Exploring opportunities for collaborative initiatives with industry, business, and government partners to leverage cost and implement objectives.
- Responding to the needs of industry and consumers.

A successful strategic planning process provides benefits to the Department as well as those affected by its operations. The Strategic Plan is primarily a one-year plan with certain longer-term objectives identified for two years beyond.

## ***MISSION***

To protect and serve the interests of the public in real estate transactions and provide related services to the real estate industry.

## ***PURPOSE***

To be a more effective customer-focused department providing timely and efficient services to licensees and subdividers while protecting the public.

## ***PRINCIPLES***

The governance of the Department of Real Estate is structured with core values that promote independence and balance between its two distinct mission responsibilities. These values preserve the integrity of operational obligations, ensure coordination and cooperation between the operating programs, engage Department stakeholders, and foster an environment that supports the professional development of its staff.

The primary responsibility of the Department of Real Estate is to the public as a consumer protection agency. As government is not able to guarantee a risk-free marketplace, the Department acts in concert with other governmental agencies, education providers, and community organizations to enhance its enforcement and consumer awareness efforts to lessen the risk of loss to consumers in real estate transactions. In this regard, consumer and licensee information as well as education are regarded as important operational elements. Through consumer education, the public is better able to make more informed decisions and protect themselves to the extent they are able. By educating its licensees, the Department helps ensure that they are aware of their legal responsibilities, as well as their obligations to their clients. By approaching these principal responsibilities from the multiple avenues of education and enforcement, the Department maximizes the effectiveness of its consumer protection efforts.

In its role as an industry service provider, the Department undertakes strategic planning disciplines that result in the identification of objectives intended to have a direct benefit to the consumer, the State, the real estate industry, subdivision development businesses, and timeshare commerce.

The Department of Real Estate, like all other State agencies, is challenged to manage increasing workloads and responsibilities. To meet these demands, the Department continues to seek efficiencies in programs and activities, and to use technology, partnerships, and common-sense solutions to make doing business with the Department more transparent on all levels.

## *VISION*

The vision of the future for the Department of Real Estate is focused upon adopting innovations that will create new standards of excellence in service offerings and consumer protection by:

- Incorporating advanced technology in its processes to better serve the industry and the public.
- Providing licensing, subdivision qualification and consumer-related services more conveniently and timely.
- Expanding the knowledge base and contributions of staff.
- Improving the accessibility to information that is progressive and secure.
- Expanding consumer education to facilitate the making of informed decisions in real estate transactions.
- Adapting to the changing business environments of the real estate industry.
- Providing leadership in housing in California.

## *INTERNAL/EXTERNAL ASSESSMENT*

The assessment of internal and external factors that influence the Department of Real Estate helps it to recognize current and future issues that may affect operations and results. This assessment pinpoints the major issues affecting the Department during this planning process timeframe.

### *EXTERNAL ENVIRONMENT:*

#### *FISCAL CONDITION*

The Department of Real Estate is a Special Fund department that derives virtually all of its revenues from examination, license and subdivision fees. As the interest in real estate licensure began to sustain a significant increase in Fiscal Year 2002/03, the Department reduced all fees to 1982 levels effective August 1, 2003. With its current revenue flow and reserve balances, resulting from the sustained high level of interest in real estate licensure and land development, the Department does not anticipate a fee adjustment in the near future.

As to fiscal tracking, the Department monitors items of expense as well as revenue and reserve fund balances on an ongoing basis, providing reports to the Program Managers at monthly financial briefings. More detailed reports are provided to the Program Managers on a quarterly basis. Additionally, projected expenditures are analyzed and provided to the Assistant Commissioner of Administration, the Chief Deputy Commissioner and the Commissioner on at least a quarterly basis to ensure appropriate allocation of financial resources. Revenue and reserve analysis reports are also routinely provided to the real estate industry.

The Department anticipates future fiscal challenges in balancing its fee structure and reserves as conditions change in the real estate marketplace, which affect both housing and the licensee population. Also, the future repayment of the reserve funds that were previously loaned to the State's General Fund will need to be addressed.

### LEGISLATION

There have been approximately six bills identified in the 2006 legislative session that, if passed, will profoundly affect the Real Estate Law and require substantial refinements and changes to Department processes for issuing real estate licenses and subdivision public reports.

### MARKET INFLUENCES and WORKLOAD

Several key economic factors are analyzed in order to project the future vitality of the real estate market and the resulting impact on the licensee population and Department workload. Experience with forecasting indicates that a very gradual downturn in the number of real estate licensees is likely, but such events do not directly and immediately coincide with the market slowdown.

Despite recent news of a softening market, the demand for real estate licensure in California has remained strong (salesperson examinations scheduled are 17 percent higher than originally projected). Once a license is issued, it is relatively inexpensive to maintain and most licensees will renew their licenses (lowest renewal rate was 70 percent during the late 90's) despite their relative inactivity in the industry. Even with a foreseeable softening of the market and presuming a long-term disinterest in real estate licensure, the Department of Real Estate projects its resources will be impacted for at least the next eight years as it will take two completed renewal cycles (four years each) before the population base potentially declines back to the level expected at the conclusion of this fiscal year. During this time, support of the licensee base will continue to impact Department workload and resources.

With the sustained increase in the licensee population, the Department of Real Estate will continue to be challenged to provide adequate support services. The following chart, based upon current license requirements, shows the licensee population projections through Fiscal Year 2012-2013:

	Fiscal Year 06-07	Fiscal Year 07-08	Fiscal Year 08-09	Fiscal Year 09-10	Fiscal Year 10-11	Fiscal Year 11-12	Fiscal Year 12-13
	Projected	Projected	Projected	Projected	Projected	Projected	Projected
<b>Salesperson Examinations Scheduled</b>	163,776	139,209	104,407	78,305	58,729	44,047	33,035
<b>Broker Examinations Scheduled</b>	27,027	25,676	20,541	16,432	13,146	10,517	8,413
<b>Original Salesperson Licenses Issued</b>	63,054	53,596	37,030	27,772	20,829	15,622	11,716
<b>Original Broker Licenses Issued</b>	10,270	9,842	9,147	7,318	5,854	4,683	3,747
<b>TOTAL LICENSEE POPULATION</b>	<b>579,911</b>	<b>617,081</b>	<b>612,403</b>	<b>597,904</b>	<b>576,817</b>	<b>551,520</b>	<b>523,745</b>

Despite assumptions of a declining examination demand and a gradual reduction in the percentage of licensees renewing licenses, workload and operational costs for the Licensing and Enforcement programs will be impacted for years to come.

#### *Enforcement:*

The Enforcement Program workload is driven by the licensee population – the higher the number of applicants and licensees, the more significant the workload to regulate them. The following represents the enforcement actions and legal orders issued in relation to the licensee population:

	Fiscal Year 00-01	Fiscal Year 01-02	Fiscal Year 02-03	Fiscal Year 03-04	Fiscal Year 04-05	Fiscal Year 05-06
<b>TOTAL LICENSEE POPULATION</b>	314,082	323,858	338,579	393,750	449,107	504,109
<b>Enforcement Actions</b>	3,285	4,947	6,753	6,206	6,935	8,453
<b>Number of Legal Orders Issued</b>	1,526	1,300	1,526	1,950	2,556	2,426

With an increase in the number of enforcement actions and routine audits, the following represents the workload impact to the Audit Program:

<b>Projected Audit Workload Analysis FY 2006-07</b>	<b>Number of Investigative Audits</b>	<b>Number of Routine Audits</b>
Mortgage Loan Broker	461.1	129.8
Property Management	202.1	102.5
Broker Escrows	80.2	13.1
Other Audits	206.4	0.0
	<b>949.87</b>	<b>245.31</b>

*Subdivisions:*

The UCLA Anderson Forecast (December 2005) calls for a plateau of home prices, a moderate decrease in sales and new building, and two years of moderate growth. In this regard, the rise or fall of interest rates will play an important part in the housing market in the next fiscal year. The Department of Real Estate may see sustained filing numbers in spite of this forecast because subdividers will create more development phases to offset a slower market, which lessens the potential for standing inventory.

The Department of Real Estate currently meets with the California Building Industry Association (CBIA) and the American Resort Development Association (ARDA) to discuss subdivision processing plans, goals, procedures and processes. These meetings provide a beneficial forum to project future filings, address issues of mutual concern and explore new opportunities in subdivision development.

There are three major workload issues facing the Subdivisions Program. The first is an increase in the number of timeshare and technical filings resulting from the passage of AB 2252 – The Vacation Ownership and Time-share Act of 2004. New vacation ownership business practices indicate that this trend of increased timeshare application submittals will continue as the market focus continues to expand both regionally and nationally. Currently, California is considered to be a major market for timeshare development and sales due to the amenities the State offers and its sizeable population.

The second workload issue is the increase in the number of highly complex subdivision filings, such as condominium conversions, mixed-use projects, and tenancy-in-common. With the transformation of the real estate market and the demand for affordable housing, creative forms of ownership have developed that require the Department to adapt and expand its operations to more efficiently address these more complex types of subdivision filings.

Lastly, due to the favorable real estate market, the number of subdivision filings has sustained a significant increase. The number of subdivision filings has steadily increased since 1995/96, with the most dramatic increases occurring within the last four years. The following chart represents the growth in Subdivisions workload:

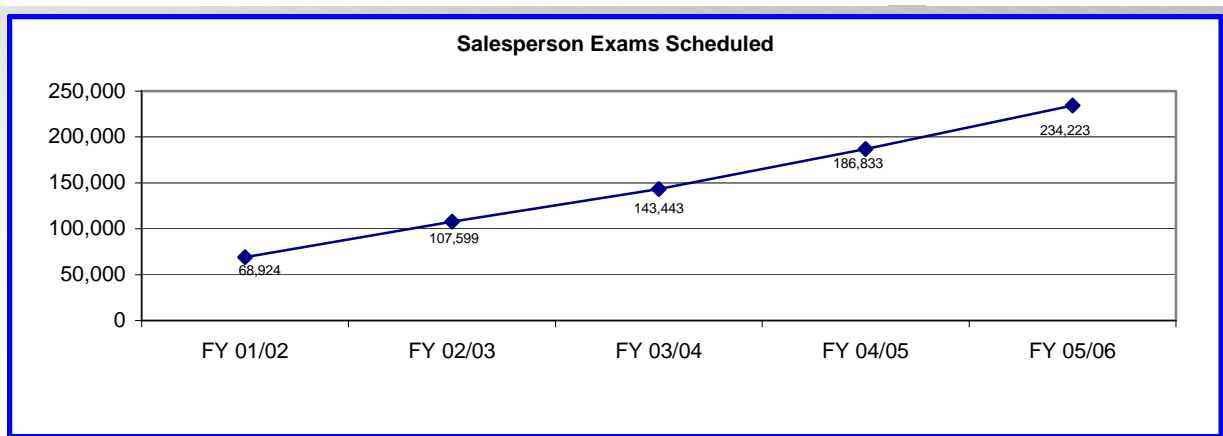


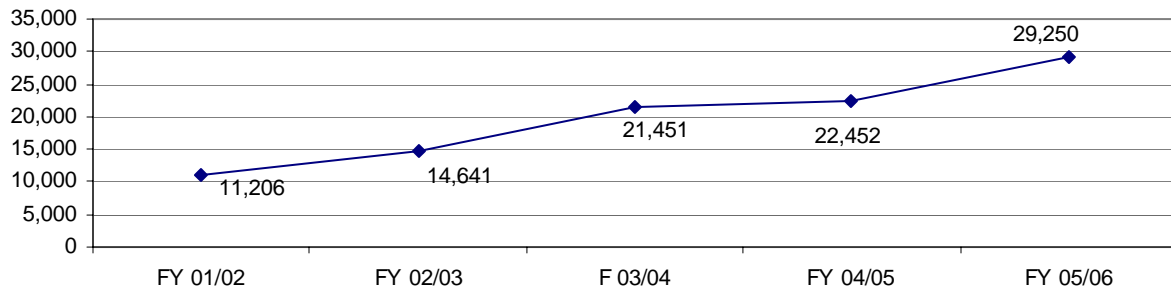
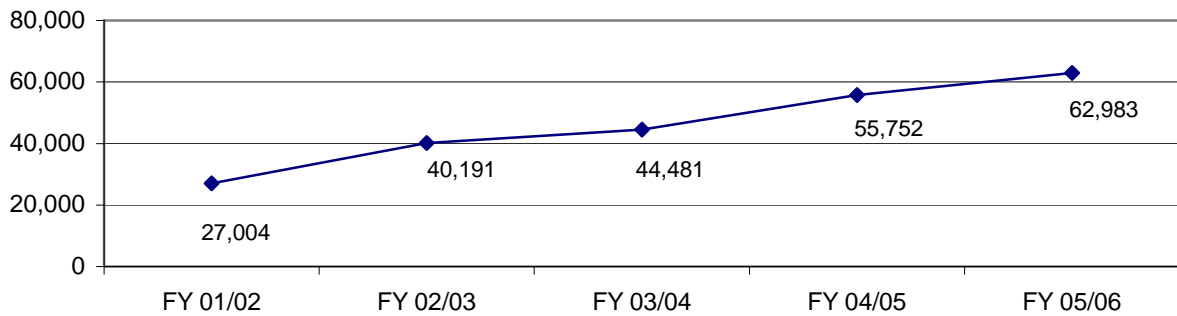
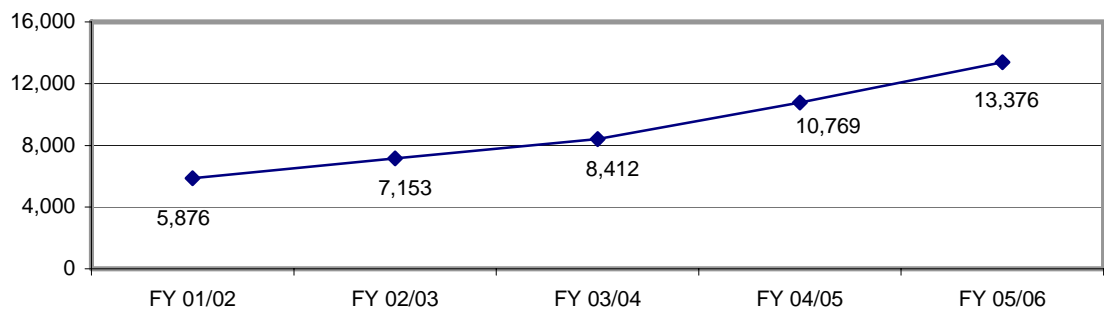
Subdivisions	Fiscal Year 00-01	Fiscal Year 01-02	Fiscal Year 02-03	Fiscal Year 03-04	Fiscal Year 04-05	Fiscal Year 05-06	Fiscal Year 06-07 (Projected)
<b>Total Filings</b>	2,871	2,906	3,476	4,019	4,186	4,474	4,600
<b>Total Timeshare and Technical Filings</b>	119	130	129	189	221	265	292

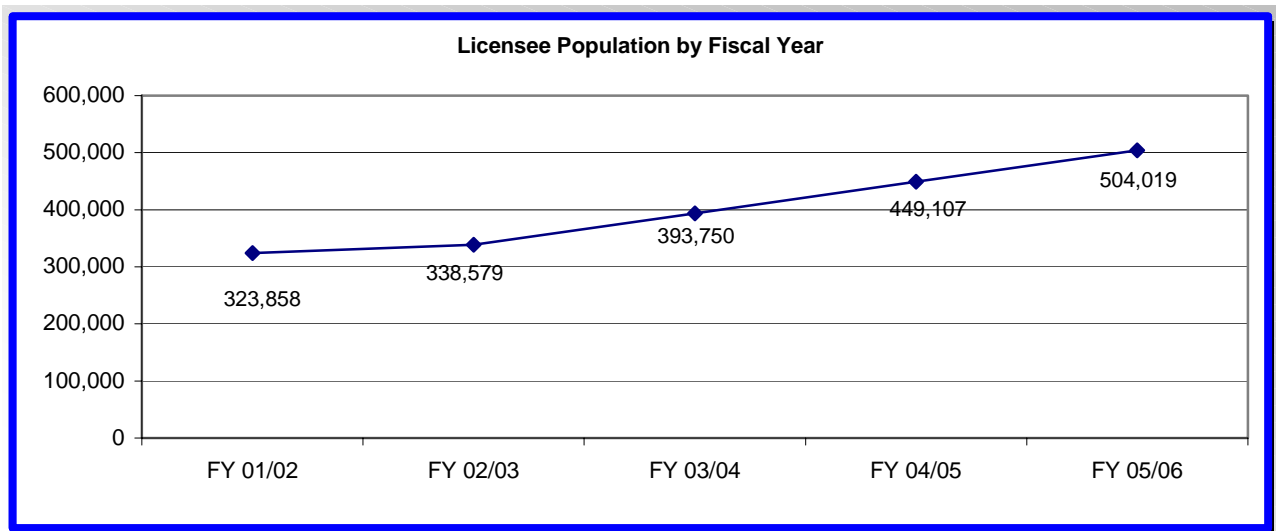
#### ENFORCEMENT/LEGAL/AUDITS:

A major trend in the real estate brokerage industry is increased concentration. Corporate franchising, acquisition of related industries and the goal of “one-stop shopping” are changing the industry into a more centralized enterprise. This creates new regulatory challenges as the potential exists in this environment for consumers to be directed to the service providers that generate the greatest profit for the brokerage as opposed to those that offer the best services or the most competitive rates. Further, the favorable real estate market has helped promote the expansion of many real estate operations. As the market begins to level and transition, there is some concern that potential business failures may lead to violations of the Real Estate Law. This is particularly true in the mortgage brokerage field as many firms have flourished as a result of low interest rates and substantial activity in the area of homeowner refinances. Although it is anticipated that interest rates will remain low in historical terms, it is projected that they will gradually rise, which will have an affect on mortgage loan brokering activity. Other factors affecting Department workload will be the expansion of eCommerce, which will require staff to be more technologically proficient in order to conduct investigations and audits. Finally, the diversity of the State’s population is a component that needs to be addressed through appropriate enforcement and education efforts.

With respect to licensing, the following charts depict the significant increase in workload the Department has experienced over the past four fiscal years:



**Broker Exams Scheduled****Original Salesperson Licenses Issued****Original Broker Licenses Issued**



### STAFFING

The Department has submitted a budget change proposal for Fiscal Year 2006/07 for additional positions to serve the Enforcement Program, Subdivisions Program, and the Information Systems Section. These positions will help address the unprecedented volume of workload and allow the Department to pursue new technology projects.

### CUSTOMER SERVICE

Inasmuch as performance measurement is directly related to customer service standards and customer satisfaction, the Department of Real Estate will continue to make reasonable efforts in assessing clientele approval levels. These efforts include surveys, industry meetings, such as the Department of Real Estate Forums, and conferences wherein specific performance feedback will be received. The analysis of these indicators will be measured against the Strategic Plan objectives as a factor in determining their successful accomplishment.

## *INTERNAL ENVIRONMENT:*

### *TECHNOLOGY*

Technology enhancements have allowed the Department of Real Estate to offset a substantial portion of the Licensing resource needs associated with the increasing licensee population. In furtherance of these efforts, the Department continues to explore ways to enhance and expand its technology resources. In this regard, the Department is pursuing approval, through the budget process, to initiate the following technology projects:

#### *Electronic Examinations*

The proposed Electronic Examinations System will automate the manual examination administration processes. This system will provide the Department with the capability to reduce the overall turnaround time for candidates to receive a real estate license while administering exams in a more efficient and effective manner. With Electronic Examinations, no examination booklets or answer sheets will be used. Candidates will be tested using computer equipment in one of the Department examination centers. Significant improvements in examination security will be a feature of the new system. Examination grading will be performed automatically at the conclusion of the exam. Those examinees who pass the electronic exam and have satisfied all license requirements can be provided a temporary license.

#### *Interactive Voice Response (IVR) System*

This project proposes a new Licensing call center that will improve the services provided by the Department while ameliorating the customer service and business problems associated with the existing telephone system. The proposed solution provides for an upgrade to the existing call center system that will expand the number of telephone calls answered, provide a more suitable method for mobile clients to obtain information, and provide appropriate service for callers. A new, optimally configured, IVR system will enable the Department to significantly improve service delivery and provide quality customer service.

#### *IT Infrastructure Replacement*

The Department currently uses personal computers purchased in 1998, laser printers purchased in 1999, and laptops and servers purchased in 2001. The infrastructure has reached the end of its product support lifecycle and this upgrade will enable the Department to support the technology needs of its operating programs.

#### *E-Government*

E-Government is important to the Department of Real Estate not only because it recognizes the valuable uses of the Internet to deliver government services, but also because it brings the Department closer to its customers and stakeholders while improving operational efficiency. The eLicensing system, which is an on-line, interactive system offered by the Department on its Web site, is instrumental in providing information to consumers and improved service offerings to the real estate industry, while protecting individual privacy. The Department is seeking approval through the budget process to add a full-time technology position to continue to develop and support web-based services for the licensee population.

The Department will continue to explore applicable advances in technology to improve its services and increase departmental efficiencies through a variety of means that incorporate appropriate consolidated State service offerings.

### CONSUMER PROTECTION

The Department of Real Estate acknowledges the importance of enhancing its efforts to educate consumers on the home buying/selling process as well as to increase their awareness of inappropriate actions and real estate fraud. Towards this end, the Department explores methods to increase exposure of critical information to consumers, including the distribution of educational videos and guides, consumer brochures and information, as well as the expansion of the consumer educational materials that are posted on the its website. Many of these offerings are made available in a variety of languages, as the non-English proficient public is often the most vulnerable.

### ACCOUNTABILITY

The Executive Management of the Department has placed a strong emphasis on program assessments of reasonable performance targets through review of current department baselines, enhanced by new strategic objectives, and followed by periodic progress monitoring. With the development of each new Strategic Plan, the Department charges its programs to reassess and develop goals with specific targets and accountability for achieving the desired results. Each program has initiated ongoing processes to track performance beginning with the evaluation of existing, as well as the creation of new, performance metrics to create suitable metrics in line with the operational priorities of the Department.

### WORKFORCE

The Department will continue to analyze its staffing and refine its workforce plan to address short-term needs as well as the long-term issues of losing experienced staff due to potential retirements. The workforce plan addresses the ongoing need for adequate staffing and training as well as succession planning.

## ***STRATEGIC GOALS*** \*

1. Enhance consumer awareness and protection.
2. Assess and improve services.
3. Improve operations through the use of automation and technology.
4. Promote workforce excellence.

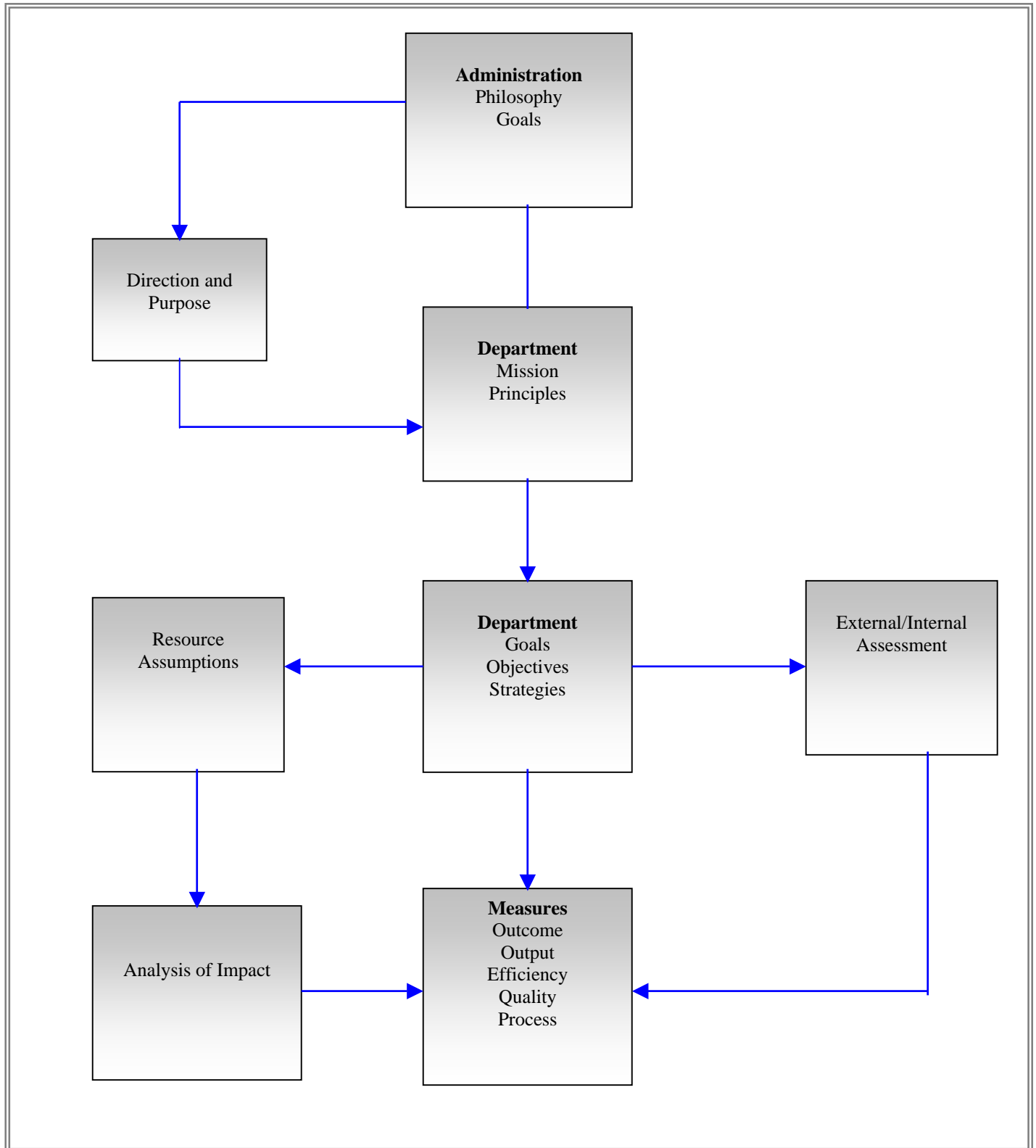
## ***STRATEGIC PLANNING AND PERFORMANCE PROCESSES***

Following established best practices for planning, the Department of Real Estate recognizes the necessary relationship between strategic planning, allocation of resources, and performance measurement. This document includes a multi-year view of the strategies for the accomplishment of Department goals and objectives. The following charts depict the Department of Real Estate strategic planning and performance processes:

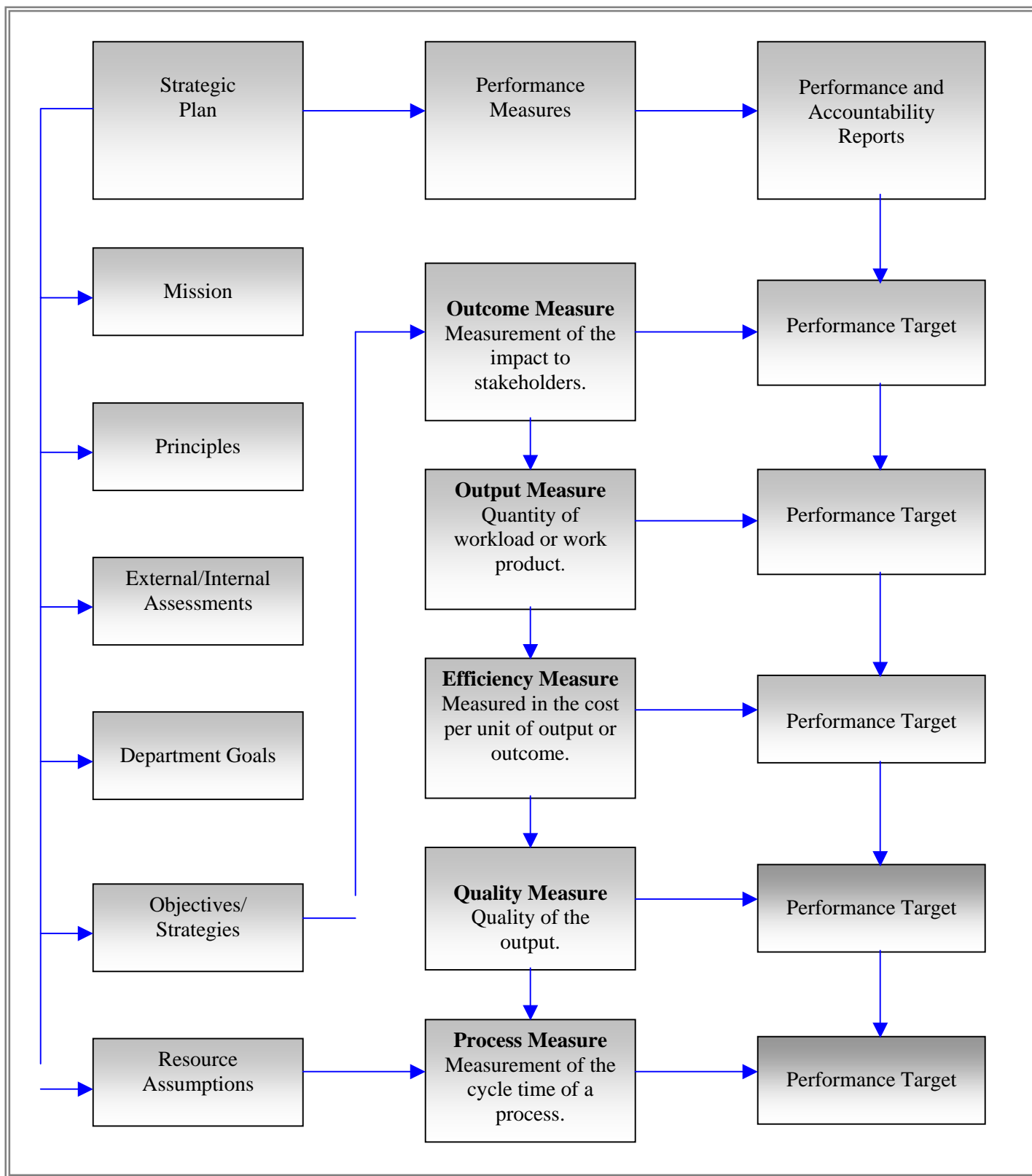
\* Goals are not in priority order.

## DEPARTMENT OF REAL ESTATE

### Strategic Planning Conceptual View



Strategic Plan  
DEPARTMENT OF REAL ESTATE  
Strategic Plan





## ***MONITORING PERFORMANCE***

To monitor overall progress and performance, the Commissioner and the Chief Deputy will conduct meetings, quarterly and as necessary, with each of the Program Managers who are responsible for carrying out the stated objectives.

## ***PROJECT MANAGEMENT METHODOLOGY***

The project management methodology employed by the Department of Real Estate is a disciplined, structured approach to managing projects. It addresses all phases of project management from conceptualization to completion. This methodology integrates scope, quality, time, costs, risk, human resources, contracts and communications with comprehensive guidelines for effective project management and administration, while providing sufficient flexibility to meet the needs of individual projects and project managers.

The system development methodology is folded into the project management methodology. The system development methodology follows the best practices of both the Project Management Institute's Project Management Book of Knowledge (PMBOK) and proven project management disciplines such as the Oracle CASE Method framework with which the Department has proven success. These practices cover the complete system lifecycle. The use of methodologies such as these is critical because it provides a framework by which complex problems can be attacked systematically by a group of technical experts consistently over the life of a project and into the system maintenance cycle. This process covers the Planning, Requirements Definition, Design, Build, Testing, Transition, and Production stages. This approach seeks to minimize mistakes to the maximum extent possible, adapts easily to anticipated change, and ensures that flexibility is designed into the structure of the system. Also, this methodology has defined benchmarks that are monitored and controlled as part of the project management effort.

These best practices, in addition to the State guidelines, generate a blended strategic approach to Project Management.

## SUMMARY OF OBJECTIVES

### **GOAL 1. ENHANCE CONSUMER AWARENESS AND PROTECTION.**

Goal 1 is linked to the following objectives of the Strategic Plan:

- Licensing will implement provisions of new legislation geared toward strengthening consumer protection through increased education and license requirements. (FY 2006/07-2008/09)
- Create a mortgage loan information section on the Department of Real Estate Web site. (FY 2006/07)
- Revision of the Subdivision Public Report format and language to improve consumer understanding. (FY 2006/07)
- Update the Operating Cost Manual to guide homeowner associations, developers, and management firms in budget preparation. (FY 2006/07)
- Develop qualification guidelines for ‘Tenancy-in-Common’ type subdivisions. (FY 2006/07)
- Develop guidelines and/or regulations governing ‘Non-Equity Club’ type timeshare projects. (FY 2006/07-2007/08)
- Implement an audit Risk Assessment Program that will determine audit priority based upon potential financial loss to the public. (FY 2006/07)
- Update the *Reference Book – A Real Estate Guide*. (FY 2006/07)
- Determine the feasibility of the creation and distribution through various newspapers of a “Commissioner’s Column” responding to consumer questions. (FY 2006/07)
- Enhance the Web site to provide resource information for homebuyers and borrowers. (FY 2006/07)
- Add the Department of Real Estate logo and service tagline to letterhead, external forms and publications. (FY 2006/07)
- Identify future education and research projects for funding consideration that promote the advancement of real estate education. (FY 2006/07)
- Update the ‘Reserve Study Guidelines’ publication to promote understanding of the reserve study portion of annual operating budgets. (FY 2008/09)

### **GENERAL PERFORMANCE MEASURES:**

- Number of new publications.
- Number of requests for new publications.
- Stakeholder satisfaction.

## ***GOAL 2. ASSESS AND IMPROVE SERVICES.***

Goal 2 is linked to the following objectives of the Strategic Plan:

- Implement a new real estate license certification and improved pocket card. (FY 2006/07)
- Upgrade the Interactive Voice Response (IVR) system and improve the Licensing call center services. (FY 2006/07 – 2008/09)
- Modernize real estate examination administration with the implementation of a secured Electronic Examinations System. (FY 2006/07 – 2008/09)
- Conduct an operational assessment of cashiering/accounting processes. (FY 2006/07)
- Improve licensee/examinee experience with the expansion of eLicensing services and online access. (FY 2006/07 – 2007/08)
- Study the investigative process to identify methods to improve efficiency. (FY 2006/07)
- Study the feasibility of establishing a new district office. (FY 2006/07 – 2007/08)
- Design and implement a technology solution that provides workflow collaboration and creates a digital library. (FY 2006/07 – 2008/09)
- Study and implement improvement initiatives for operational procedures and legal support work. (FY 2006/07)
- Develop a process for brokers to electronically submit Mortgage Loan Broker advertising for review and approval, simplifying the advertising submission process and accelerating the approval process. (FY 2007/09 - 2008/09)

### ***GENERAL PERFORMANCE MEASURES:***

- Stakeholder satisfaction.
- Number of new and improved services.
- Benefit analysis of new services (percentage of use).
- Overall average of projects within budget and schedule thresholds.

## ***GOAL 3. IMPROVE OPERATIONS THROUGH THE USE OF AUTOMATION AND TECHNOLOGY.***

Goal 3 is linked to the following objectives of the Strategic Plan:

- Upgrade the IT Infrastructure of the Department of Real Estate. (FY 2006/07 – 2008/09)
- Promote the customers' use of the Internet by increasing available information and service offerings. (FY 2006/07 – 2008/09)

- Increase stakeholder interaction with the technical staff and facilitate operational effectiveness through technology efficiency reviews and/or user group sessions. (FY 2006/07 – 2008/09)
- Study and implement IT enhancements. (FY 2006/07 – 2008/09)
- Conduct information technology security reviews. (FY 2006/07 – 2007/08)
- Develop an analysis reporting tool that will track information technology project costs. (FY 2006/07 – 2008/09)
- Revise and implement computerized Property Management Audit Working Papers. (FY 2006/07)
- Revise and implement computerized Subdivision Audit Working Papers. (FY 2007/08)
- Study the feasibility of electronic submission of timeshare applications. (FY 2008/09)
- Revise and implement computerized Broker Escrow Audit Working Papers. (FY 2008/09)

#### ***GENERAL PERFORMANCE MEASURES:***

- Planned project costs compared to actual project costs.
- Number of project milestones achieved.
- Number of enhancements implemented.
- Overall average of projects within budget and schedule thresholds.

#### ***GOAL 4. PROMOTE WORKFORCE EXCELLENCE.***

Goal 4 is linked to the following objectives of the Strategic Plan:

- Adopt a department-wide framework for Performance-Based Management. (FY 2006/07)
- Ensure adequate succession planning and key skill replacement processes are in place. (FY 2006/07 – 2008/09)
- Develop a statewide Enforcement deputy training program. (FY 2006/07 – 2007/08)
- Develop a Mortgage Loan Broker training module for inclusion in the overall Enforcement Training Plan for Deputies and Auditors. (FY 2006/07)
- Create a procedural manual detailing the Legal efforts associated with reviewing and processing proposed Regulations of the Real Estate Commissioner. (FY 2006/07)
- Create a manual of procedures for processing applications for claims against the Recovery Account. (FY 2006/07)
- Update internal audit training material. (FY 2006/07)
- Assess the training needs of the Audit Program. (FY 2006/07)
- Update the Timeshare Manual. (FY 2007/08)
- Revise audit training material. (FY 2007/08)



***GENERAL PERFORMANCE MEASURES:***

- Training hours per employee.
- Number of training and/or manual models created.
- Employee assessment of new materials.
- Percentage increase in operational goals.